

BINGHAM, DANA & GOULD

150 FEDERAL STREET
BOSTON, MASSACHUSETTS 02110-1726

TEL: 617.951.8000

FAX: 617.951.8736

0100808006

October 5, 1995

BY MESSENGER

Interstate Commerce Commission
Room 2311
12th Street & Constitution Avenue, N.W.
Washington, D.C. 20423

Attention: Secretary

Ladies and Gentlemen:

Enclosed for recording with the Commission pursuant to Section 11303 of Title 49 of the U.S. Code are one original and one counterpart of the fully executed, notarized document described below.

This document is an Amended and Restated Security Agreement, a primary document dated as of October 3, 1995, between Kiamichi Railroad Company L.L.C. (successor by merger and name change to Kiamichi Railroad Company, Inc. and Kiamichi Acquisition L.L.C.) (the "Debtor") and The First National Bank of Boston (the "Secured Party"), covering the Debtor's rolling stock now owned or hereafter acquired and certain other properties and rights of the Debtor. A description of the rolling stock is attached to the Amended and Restated Security Agreement as Schedule 4(b), as the same may be revised from time to time, but the property covered by the Security Agreement is not limited to that listed on Schedule 4(b).

The names and addresses of the parties to the Amended and Restated Security Agreement are as follows: the Debtor is Kiamichi Railroad Company L.L.C., whose chief executive office is located at 303 West Jackson, Hugo, Oklahoma 74743; the Secured Party is The First National Bank of Boston, whose head office is located at 100 Federal Street, Boston, Massachusetts 02110.

Included in the property covered by the aforesaid Amended and Restated Security Agreement are railroad cars, locomotives and other rolling stock intended for

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BINGHAM, DANA & GOULD

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use related to interstate commerce, or interests therein, owned and leased by the Debtor at the date of said Amended and Restated Security Agreement or thereafter acquired by the Debtor or its successors.

A short summary of the document to appear in the index is as follows:

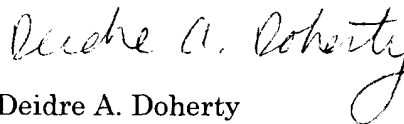
"An Amended and Restated Security Agreement, dated as of October 3, 1995, among Kiamichi Railroad Company L.L.C. ("Kiamichi") as the debtor, and The First National Bank of Boston, as the secured party, covering Kiamichi's rolling stock and all other properties and rights of Kiamichi. A description of the rolling stock is attached to the Amended and Restated Security Agreement as Schedule 4(b)."

Also enclosed is a check in the amount of \$21.00, payable to the Interstate Commerce Commission, to cover the recording fee prescribed by the Commission in its rules and regulations.

Please acknowledge receipt of the enclosed documents by stamping and returning to our messenger the enclosed copy of this letter together with the Amended and Restated Security Agreement as filed.

If you have any questions with respect to the enclosed documents, please call me collect at (617) 951-8938.

Sincerely,



Deidre A. Doherty

Enclosures

cc: Amy L. Kyle, Esq.



Interstate Commerce Commission
Washington, D.C. 20423-0001

10/6/95

Office Of The Secretary

Deidre A. Doherty
Bingham, Dana & Gould
150 Federal Street
Boston, Massachusetts 02110-1726

Dear Madam:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/6/95 at 10:10AM , and assigned recordation number(s). 19657 and 18503-C.

Sincerely yours,


Vernon A. Williams
Secretary

Enclosure(s)

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(0100808006)

\$ 42.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature 

19657
1995

AMENDED AND RESTATED SECURITY AGREEMENT

KIAMICHI RAILROAD COMPANY L.L.C.

This **AMENDED AND RESTATED SECURITY AGREEMENT**, dated as of October 3, 1995 is by and between **KIAMICHI RAILROAD COMPANY L.L.C.** (successor by merger to Kiamichi Acquisition L.L.C. and Kiamichi Railroad Company, Inc.), a Delaware limited liability company having its principal place of business at 303 West Jackson, Hugo, Oklahoma 74743 (the "Company") and **THE FIRST NATIONAL BANK OF BOSTON**, a national bank (the "Bank") as parties to that certain Amended and Restated Revolving Credit Agreement, dated as of October 3, 1995, between the Company and the Bank, as the same may be amended, restated, modified or supplemented from time to time (such agreement, as in effect from time to time, the "Credit Agreement"). Capitalized terms which are used herein without definition and which are defined in the Credit Agreement shall have the same meanings herein as in the Credit Agreement.

WHEREAS, pursuant to the Original Credit Agreement, the Bank has made loans to Kiamichi Railroad Company, Inc., a Delaware corporation ("KRC") for the purposes described therein; and

WHEREAS, pursuant to that certain Security Agreement dated as of December 7, 1993 (as amended and in effect from time to time the "Original Security Agreement"), KRC granted certain security interests to the Bank to secure the payment and performance of its obligations under and with respect to the Original Credit Agreement and the related loan documents; and

WHEREAS, simultaneously with the closing under the Credit Agreement, KRC will be merged with and into the Company with the Company being the surviving entity; and

WHEREAS, the Company and the Bank have entered into the Credit Agreement to amend and restate in its entirety the Original Credit Agreement; and

WHEREAS, it is a condition precedent to the Bank amending and restating the Original Credit Agreement and converting any loans under the Original Credit Agreement into Loans under the Credit Agreement or making any other Loans under the Credit Agreement that the Company execute and deliver to the Bank a security agreement in substantially the form hereof; and

WHEREAS, the Company wishes to amend and restate in its entirety the Original Security Agreement in order to confirm and continue its provision of collateral security to secure the payment and performance of all of the Obligations of the Company and to evidence the Company's agreement that the security interests and liens created under the Original Security Agreement shall from and after the date hereof be held by the Bank in accordance with this Security Agreement;

NOW THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the Company and the Bank agree that the Original Security Agreement is hereby amended and restated in its entirety and remains in force and effect only as set forth herein.

§1. GRANT OF SECURITY INTEREST. To secure the due and prompt payment and performance of the Obligations (as defined below), the Company hereby ratifies and affirms the pledge, assignment and grant to the Bank made pursuant to the Original Security Agreement of and further hereby grants to the Bank a continuing security interest in and lien on all properties, assets and rights of the Company of every kind and nature, wherever located, now owned or hereafter acquired or arising, and all proceeds and products thereof, including, without limiting the generality of the foregoing, all goods, accounts, including all accounts receivable, contract rights, including, without limitation, all rights of the Company under any Interest Rate Protection Arrangements, all rights of the Company under leases of equipment and other personal property, and all rights of the Company under any agreements with operating railroads pursuant to which rights of passage over tracks are granted during periods of emergency and disasters, rights to the payment of money including tax refund claims, insurance proceeds and tort claims, chattel paper, documents, instruments, general intangibles, the Company's operating certificate from the ICC, securities, together with all income therefrom, increases thereunder and proceeds thereof, patents, trademarks, tradenames, copyrights, engineering drawings, service marks, customer lists, books and records, furniture, fixtures, rolling stock of every kind and description, locomotives, rail, ties and capital improvements thereon, equipment, maintenance of way equipment, inventory and all other capital assets, raw materials and work in progress (all such properties, assets and rights hereinafter sometimes called, collectively, the "Collateral"). The Company acknowledges and agrees that, in applying the law of any jurisdiction that has now enacted or hereafter enacts all or substantially all of the uniform revision of Article 8 of the Uniform Commercial Code, with new provisions added to Article 9 contemplated by such revision, all as approved in 1994 by the American Law Institute and the National Conference of Commissioners on Uniform State Laws, the foregoing description of Collateral shall be deemed to include "investment property" as defined in such new provisions of Article 9, it being the intention of the Company that such property be included in the foregoing description of Collateral, whether prior to or after the effectiveness of such revision in such jurisdiction.

§2. OBLIGATIONS SECURED. The Collateral hereunder constitutes and will constitute continuing security for all of the indebtedness, obligations and liabilities of the Company to the Bank and any institutional lender who becomes a participant in or holder of any of the obligations comprising the Obligations (as defined below) under the Credit Agreement, the Note, the other Loan Documents and any documents evidencing Interest Rate Protection Arrangements between the Company and the Bank, in each case as such instrument is originally executed on the date hereof or as modified, amended, restated, supplemented or extended hereafter, whether such Obligations are now existing or hereafter arising, joint or several, direct or indirect, absolute or contingent, due or to become due, matured or unmatured, liquidated or unliquidated, arising by contract, operation of law or otherwise, and all Obligations of the Company to the Bank arising out

of any extension, refinancing or refunding of any of the foregoing Obligations (collectively, the "Obligations").

§3. PRO RATA SECURITY; APPLICATION OF PROCEEDS OF COLLATERAL. All amounts owing with respect to the Obligations shall be secured pro rata by the Collateral without distinction as to whether some Obligations are then due and payable and other Obligations are not then due and payable. Upon any realization upon the Collateral by the Bank, whether by receipt of insurance proceeds pursuant to §4(g) hereof or upon foreclosure and sale of all or part of the Collateral pursuant to §8 hereof or otherwise, the Company agrees that the proceeds thereof shall be applied (i) first, to the payment of expenses incurred with respect to maintenance and protection of the Collateral pursuant to §4 hereof and of expenses incurred pursuant to §12 hereof with respect to the sale of or realization upon any of the Collateral or the perfection, enforcement or protection of the rights of the Bank (including reasonable attorneys' fees and expenses of every kind, including without limitation reasonable allocated costs of staff counsel); (ii) second, to all amounts of interest, expenses and fees outstanding which constitute the Obligations; (iii) third, to all amounts of principal outstanding under the Obligations; and (iv) fourth, the balance, if any, shall be returned to the Company or such other Person entitled thereto. The Company agrees that all amounts received with respect to any of the Obligations, whether by realization on the Collateral or otherwise, shall be applied to the payment of the Obligations in accordance with the provisions of this §3.

§4. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

(a) Real Property. The Company represents to the Bank that the real property listed in Schedule 4(a) hereto constitutes all of the real property which the Company owns or leases. The Company agrees to notify the Bank of any other real property which the Company may hereafter acquire or lease.

(b) Rolling Stock. The Company represents to the Bank that the Rolling Stock listed on Schedule 4(b) hereto constitutes all of the Rolling Stock, including markings thereon and serial numbers thereof, which the Company owns or leases. The Company agrees not to change any markings or serial numbers on any of the Rolling Stock listed on Schedule 4(b) hereto until after the Company has given notice in writing to the Bank of its intention to make such change. The Company agrees to notify the Bank of any other Rolling Stock which the Company may hereafter acquire or lease. The Company agrees that it shall execute and deliver to the Bank supplemental security agreements and other instruments, as referred to in paragraph (i) below of this §4, and file the same in the appropriate recording offices (i) with respect to the Rolling Stock listed on Schedule 4(b) hereto, (ii) at such times as any assignable right, title or interest is acquired in the future by the Company in any other Rolling Stock and (iii) at such times as any change is made in one or more of the markings or serial numbers on any of the Rolling Stock listed on Schedule 4(b) hereto or on any other Rolling Stock owned or leased by the Company. All such supplemental security agreements and other instruments shall secure all of the Obligations pro rata and shall be on terms and conditions substantially similar to this Security Agreement and otherwise reasonably satisfactory to the Bank as evidenced by its written consent thereto.

(c) Patents, Trademarks, Copyrights. The Company represents to the Bank that as of the date hereof, except as set forth on Schedule 4(c) hereto, it has no right, title or interest in any patent, trademark registrations, copyright registrations or service mark registrations, or in any pending applications for the same and agrees promptly to furnish to the Bank written notice of each such patent, trademark, copyright or service mark registrations, or any applications for same, in which it may hereafter acquire any right, title or interest. The Company shall, on request by the Bank, execute, acknowledge and deliver all such documents and instruments as the Bank may reasonably require to confirm the Bank's security interest in and to any such patent, trademark or service mark registrations, or application for the same as part of the Collateral hereunder.

(d) Location of Chief Executive Office and Principal Place of Business. The Company represents to the Bank that the location of the Company's chief executive office and the principal place of business and the location where the books and records of the Company are kept is 303 West Jackson, Hugo, Oklahoma 74743. The Company further represents that attached hereto as Schedule 4(d) is a true and correct list of all localities where property comprising a part of the Collateral (other than interests in real property set forth in Schedule 4(a) hereto) is located. The Company agrees that it shall not change the location of its chief executive office or the location where its books and records are kept or the location of any property comprising a part of the Collateral other than changes in the location of Rolling Stock unless it shall have (i) given the Bank at least thirty (30) days' advance written notice of such change, and (ii) filed in all necessary jurisdictions such UCC-3 financing statements or other documents as may be necessary to continue without impairment or interruption the perfection and priority of the Liens on the Collateral in favor of the Bank pursuant to the Security Documents.

(e) Motor Vehicles. The Borrower represents and warrants to the Bank and covenants with the Bank that (i) Collateral for which motor vehicle or any other certificate of title is required is listed on Schedule 4(e) attached hereto, and such Collateral is titled in the jurisdictions located in the United States of America set forth opposite such portion of the Collateral listed on Schedule 4(e) hereto and will remain titled in such jurisdictions, and (ii) Collateral for which no certificate of title is required, but for which registration under motor vehicle laws is required, is registered in the jurisdictions located in the United States of America listed on Schedule 4(e) and will remain registered in such jurisdictions. The Borrower further represents and warrants to the Bank that, with such exceptions as the Bank in its sole discretion may approve, all certificates of title and related applications for title for the Collateral listed on Schedule 4(e) have been, or will be within thirty (30) days after the date hereof, endorsed to reflect the security interest granted hereunder to the Bank, and that the original certificates of title and fully executed related applications for certificates of title shall have been delivered to the Bank.

(f) Ownership of Collateral.

(i) The Company represents that it is the owner of the Collateral free from any adverse lien, security interest or encumbrance, except as permitted by §9.2 of the Credit Agreement.

(ii) Except for the security interest herein granted and except as permitted by §9.2 of the Credit Agreement, the Company shall be the owner of the Collateral free of any lien, security interest or encumbrance and the Company shall defend the same against all claims and demands of all persons at any time claiming the same or any interest therein adverse to the Bank. Except as permitted by §9.2 of the Credit Agreement, the Company shall not pledge, mortgage or create or suffer to exist a security interest in the Collateral in favor of any person other than the Bank.

(g) Sale or Disposition of Collateral. Except as permitted by §9.3 of the Credit Agreement, the Company shall not sell or offer to sell or otherwise transfer the Collateral or any interest therein.

(h) Insurance. The Company shall have and maintain at all times with respect to the Collateral such insurance as is required by the Credit Agreement, such insurance to be payable to the Bank and to the Company as their interests may appear, and all such property insurance to name the Bank as loss payee. All policies of insurance shall provide for thirty (30) days' written minimum cancellation notice to the Bank. In the event of the Company's failure to provide and maintain insurance as herein provided, the Bank may, at its option and upon written notice to the Company, provide such insurance, and the Company hereby promises to pay to the Bank on demand the amount of any disbursements made by the Bank for such purpose. The Company shall furnish to the Bank certificates or other evidence satisfactory to the Bank of compliance with the foregoing insurance provisions. After the occurrence and during the continuance of an Event of Default or if the Company fails to obtain or maintain insurance as required by the Credit Agreement, the Bank may act as attorney for the Company in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts; and any amounts collected or received under any such policies shall be applied by the Bank to the Obligations in accordance with the provisions of §3 hereof or, at the option of the Bank, the same may be released to the Company, but such application or release shall not cure or waive any default hereunder and no amount so released shall be deemed a payment on any Obligation secured hereby.

(i) Maintenance of Collateral. The Company shall keep the Collateral in good order and repair (except for the Nonessential Property of the Company) and shall not use the Collateral in violation of law or any policy of insurance thereon. In order to confirm the compliance of the Company with the requirements of the preceding sentence or in the event the Bank deems itself insecure regarding the condition of the Collateral the Bank may, at any reasonable time, upon written notice to the Company inspect the Collateral, wherever located. The Company shall pay promptly when due all taxes and assessments upon the Collateral, upon the use and operation of the Collateral and upon this Agreement, except those taxes and assessments as are being in good faith appropriately contested by the Company and for which adequate reserves have been established as provided in §8.2 of the Credit Agreement. In its discretion, after the occurrence and during the continuance of an Event of Default, or if the Company fails to discharge delinquent unpaid taxes or encumbrances or pay filing fees, the Bank may make repairs of the Collateral, discharge taxes and other encumbrances at any time levied or placed on the Collateral which remain unpaid in violation of §8.2 of the Credit Agreement and pay any necessary filing fees. The Company agrees to reimburse the Bank on demand for any and all expenditures so made

and, until paid, the amount thereof shall be an Obligation secured by the Collateral. The Bank shall have no obligation to the Company to make any such expenditures, nor shall the making thereof relieve the Company of any default.

(j) Creation and Perfection of Lien. The Company represents and warrants to the Bank and covenants with the Bank that this Agreement creates a valid security interest in the Collateral as security for the payment and performance of the Obligations. Upon the filing and recording of this Agreement with the ICC in accordance with §11303 of Title 49 of the United States Code and the rules and regulations thereunder, and upon the filing of UCC-1 financing statements in the form attached hereto as Exhibit A (the "Financing Statements") under the Uniform Commercial Code as the same may be in effect from time to time in the States of Oklahoma, Texas and Arkansas (the "UCC"), naming the Company as debtor and the Bank as secured party, such security interest shall be perfected under the UCC and the Interstate Commerce Act of 1887, as amended ("ICA"), and such security interest shall be prior to all other Liens, except as contemplated by §9.2 of the Credit Agreement. No further filings, recordings or other actions are or will be necessary to maintain the priority of such security interest other than the filing of UCC continuation statements within six months prior to the expiration of a period of five years after the original filing. This Agreement and all documents to be filed herewith are in appropriate form for filing with the ICC. The Financing Statements are in appropriate form and have been duly filed pursuant to the UCC.

(k) No Further Actions. Except for the filings referred to in paragraph (j) above and as otherwise specified in §5.2 of the Credit Agreement, no authorization, approval or other action by, and no notice of filing with, any governmental authority or regulatory body or other Person that has not been received, taken or made is required (i) for the granting by the Company of the security interest granted hereby or for the execution, delivery or performance of this Agreement by the Company, (ii) for the maintenance of the security interest hereunder (including the first priority nature of such security interest), or (iii) for the exercise by the Bank of the rights or the remedies with respect to the Collateral pursuant to this Agreement.

(l) Accounts Receivable. The Company shall keep or cause to be kept separate records of accounts receivable, which such records shall be complete and accurate in all material respects and, from time to time upon the request of the Bank, shall deliver to the Bank with respect to each account receivable lists setting forth the name, address, face value, and date of invoice of each debtor obligated on such account receivable.

(m) Government Contracts. The Company agrees that from time to time at the Bank's request, it shall execute all such documents, and take all such actions, as the Bank may reasonably deem necessary or proper to perfect the Bank's security interest in any Collateral consisting of the Company's rights to monies due or to become due under any contracts or agreements with or orders from the United States government or any agency or department thereof.

(n) Securities. Except as permitted under §§9.4(a) - (d) and (f) of the Credit Agreement, the Company agrees that it shall forthwith deliver and pledge to the Bank hereunder all certificates representing securities which the Company shall acquire,

whether by purchase, stock dividend, distribution of capital or otherwise, along with stock powers or other appropriate instruments of assignment with respect thereto, duly executed in blank.

(o) Further Assurances By the Company. The Company agrees to execute and deliver to the Bank from time to time at its reasonable request all documents and instruments, including financing statements, supplemental security agreements, notices of assignments under the United States Assignment of Claims Act and under similar or local statutes and regulations, and to take all action as the Bank may reasonably deem necessary or proper to perfect or otherwise protect the security interest and lien created hereby.

§5. POWER OF ATTORNEY. (a) The Company acknowledges the Bank's right, to the extent permitted by applicable law, singly to execute and file financing or continuation statements and similar notices required by applicable law, and amendments thereto, concerning the Collateral without execution by the Company. A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(b) The Company hereby irrevocably appoints the Bank as its attorney-in-fact, effective at all times subsequent to the occurrence and during the continuance of an Event of Default (as defined herein), with full authority in the place and stead of the Company and in the name of the Company or otherwise, to take any action and to execute any instrument which the Bank may reasonably deem necessary or advisable to accomplish the purpose of this Agreement, including, without limitation, the power and right (i) to endorse the Company's name on any checks, notes, acceptances, money orders, drafts, filings or other forms of payment or security that may come into the Bank's possession, (ii) to execute, acknowledge and deliver all such documents and instruments as the Bank determines necessary to confirm the Bank's security interest in and to any patent, trademark or service mark registrations or applications as part of the Collateral hereunder, and (iii) and to do all other things which the Bank then determines to be necessary to carry out the terms of this Agreement. The power conferred on the Bank hereunder is solely to protect the Bank's interests in the Collateral and shall not impose any duty upon the Bank to exercise such power.

§6. SECURITIES AS COLLATERAL. (a) Upon the occurrence and during the continuance of an Event of Default, the Bank may at any time, at its option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it to the Obligations. If the Bank so elects to exercise its right herein and gives notice of such election to the Company, upon the occurrence and during the continuance of an Event of Default, the Bank may vote any or all of the securities constituting Collateral possessing voting rights (whether or not the same shall have been transferred into its name or the name of its nominee or nominees) and give all consents, waivers and ratifications in respect of the securities constituting Collateral and otherwise act with respect thereto as though it were the outright owner thereof, the Company hereby irrevocably constituting and appointing the Bank the proxy and attorney-in-fact of the Company, with full power of substitution, to do so. So long as

no Event of Default is continuing, the Company shall be entitled to receive all cash dividends paid in respect of the securities, to vote the securities and to give consents, waivers and ratifications in respect of the securities, provided that no vote shall be cast, or consent, waiver or ratification given or action taken which would be inconsistent with or violate any provisions of the Credit Agreement, any other Security Document or this Agreement.

(b) Any sums paid upon or in respect of any of the securities, upon the liquidation or dissolution of the issuer thereof, shall be paid over to the Bank to be held by it as security for the Obligations; and in case any distribution of capital or property shall be made on or in respect of any of the securities pursuant to the recapitalization or reclassification of the capital of the issuer thereof or pursuant to the reorganization of such issuer, the property so distributed shall be delivered to the Bank to be held by it as security for the Obligations. All sums of money paid and property distributed in respect of the securities upon such a liquidation, dissolution, recapitalization or reclassification which are received by the Company shall, until paid or delivered to the Bank, be held in trust for the Bank as security for the Obligations.

§7. ACCOUNTS RECEIVABLE. The Company shall continue to collect payment from debtors on accounts receivable of the Company, obligors on accounts, chattel paper and general intangibles of the Company, obligors on instruments for which the Company is an obligee and lessees and conditional vendees under agreements governing the leasing or selling by conditional sale of Collateral by the Company, until the Bank requests after the occurrence of an Event of Default, that such debtors, obligors, lessees or conditional venders be notified of the Bank's security interest. Upon the making of such a request by the Bank, the Company shall hold, as trustee for the Bank, the proceeds received from such collection and shall turn the same over to the Bank, or to such other bank as may be approved by the Bank, immediately upon receipt of such proceeds and in the identical form received. The Company shall, at the request of the Bank after the occurrence of an Event of Default, notify such account debtors and obligors that payment thereof is to be made directly to the Bank, and, if the Company does not promptly so notify such account debtors and obligors, the Bank may itself without further notice to or demand upon the Company, so notify such account debtors or obligors. The making of such a request or the giving of any such notification shall not affect the duties of the Company described above with respect to proceeds received by the Company. The Bank shall apply the proceeds of such collection received by the Bank to the Obligations in accordance with §3 of this Agreement. The application of the proceeds of such collection shall be conditional upon final payment in cash or solvent credits of the items giving rise to them. If any item is not so paid, the Bank in its discretion, whether or not such item is returned, may either reverse any credit given for the item or charge it to any deposit account maintained by the Company with the Bank.

§8. EVENTS OF DEFAULT; REMEDIES. (a) An "Event of Default" hereunder shall mean (i) that a representation, warranty or certification made in this Agreement or in any document executed or delivered from time to time relating to this Agreement is materially untrue, misleading or incomplete in its recital of any facts at the time as of which such representation, warranty or certification, as the case may be, is made, (ii) any Event of Default as that term is defined in the Credit Agreement, whether or

not any acceleration of the maturity of the amounts due in respect of any of the Obligations shall have occurred, or (iii) any Event of Default as that term is defined in any other Security Document.

(b) Upon the occurrence and during the continuance of an Event of Default, to the fullest extent permitted by applicable law and the Loan Documents, in addition to the remedies set forth elsewhere in this Agreement:

(i) The Bank shall have, in addition to all other rights and remedies given it by any instrument or other agreement evidencing, or executed and delivered in connection with, any of the Obligations and otherwise allowed by law, the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Collateral may be located and the rights and remedies of a secured party holding a security interest in collateral pursuant to the ICA, and, without limiting the generality of the foregoing, the Bank may irremediately, without (to the fullest extent permitted by law and the Loan Documents) demand of performance or advertisement or notice of intention to sell or of time or place of sale or of redemption or other notice or demand whatsoever, (except that the Bank shall give to the Company at least ten (10) days' notice of the time and place of any proposed sale or other disposition), all of which are hereby expressly waived to the fullest extent permitted by law, sell at public or private sale or otherwise realize upon, in the City of Boston, Massachusetts, or elsewhere, the whole or from time to time any part of the Collateral in or upon which the Bank shall have a security interest or lien hereunder, or any interest which the Company may have therein, and after deducting from the proceeds of sale or other disposition of the Collateral all expenses (including all reasonable expenses for legal services and disbursements, including without limitation reasonable allocated costs of staff counsel) as provided in §12 hereof, shall apply the residue of such proceeds toward the payment of the Obligations in accordance with §3 of this Security Agreement (without duplication for any expenses paid in accordance with the previous sentence hereof), the Company remaining liable for any deficiency remaining unpaid after such application. If notice of any sale or other disposition is required by law to be given to the Company or the Bank, each of the Company and the Bank hereby agrees that a notice given as hereinbefore provided shall be reasonable notice of such sale or other disposition. The Company also agrees to assemble the Collateral at such place or places as the Bank reasonably shall designate by written notice. At any such sale or other disposition the Bank may itself, and any other person or entity owed any Obligation may itself, purchase the whole or any part of the Collateral sold, free from any right of redemption on the part of the Company, which right is hereby waived and released to the fullest extent permitted by law.

(ii) Furthermore, without limiting the generality of any of the rights and remedies conferred upon the Bank under §8(b)(i) hereof, the Bank to the fullest extent permitted by law may enter upon the premises of the Company, exclude the Company therefrom and take immediate possession of the Collateral, either personally or by means of a receiver appointed by a court therefor, using all lawful and necessary force to do so, and may, at its option, use, operate, manage and control the Collateral in any lawful manner and may collect and receive all rents,

income, revenue, earnings, issues and profits therefrom, and may maintain, repair, renovate, alter or remove the Collateral as the Bank may determine in its discretion, and any such monies so collected or received by the Bank shall be applied to, or may be accumulated for application upon, the Obligations in accordance with §3 of this Agreement.

(iii) The Bank agrees that it will give notice to the Company of any enforcement action taken by it pursuant to this §8 promptly after commencing such action.

(iv) The Company recognizes that the Bank may be unable to effect a public sale of the securities constituting a portion of the Collateral by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers consistent with all applicable laws. The Company agrees that any such private sales may be at prices and other terms less favorable to the Company than if sold at public sales and that such private sales shall not by reason thereof be deemed not to have been made in a commercially reasonable manner. The Bank shall be under no obligation to delay a sale of any of the securities for the period of time necessary to permit the issuer of such securities to register such securities for public sale under the Securities Act of 1933, as amended, even if the issuer would agree to do so.

§9. MARSHALLING. The Bank shall not be required to marshal any present or future security for (including but not limited to this Agreement and the Collateral subject to the security interest created hereby), or guaranties of, the Obligations or any of them, or to resort to such security or guaranties in any particular order; and all of its rights hereunder and in respect of such securities and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Company hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Bank's rights under this Agreement or under any other instrument evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or guaranteed and, to the extent that it lawfully may, the Company hereby irrevocably waives the benefits of all such laws. Except as otherwise provided by applicable law, the Bank shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the sole custody thereof.

§10. COMPANY'S OBLIGATIONS NOT AFFECTED. To the extent permitted by law, the obligations of the Company under this Security Agreement shall remain in full force and effect without regard to, and shall not be impaired by (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Company, to the extent permitted by law; (b) any exercise or nonexercise, or any waiver, by the Bank of any right, remedy, power or privilege under or in respect of any of the Obligations or any security therefor (including this Agreement); (c) any amendment to or modification of this Agreement or any instrument evidencing any of the Obligations or pursuant to which any of them were issued, other than in the specific instance and for the

specific purpose for which such amendment or modification was given; (d) any amendment to or modification of any instrument or agreement (other than this Agreement) securing any of the Obligations; or (e) the taking of additional security for or any guaranty of any of the Obligations or the release or discharge or termination of any security or guaranty for any of the Obligations; and whether or not the Company shall have notice or knowledge of any of the foregoing.

§11. NO WAIVER. No failure on the part of the Bank to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Bank of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy and power hereby granted to the Bank or the future holders of any of the Obligations or allowed to any of them by law or other agreement, including, without limitation, the Credit Agreement, the Note or any other Security Document, shall be cumulative and not exclusive of any other, and, subject to the provisions of this Agreement, may be exercised by the Bank or the future holders of any of the Obligations from time to time.

§12. EXPENSES. The Company agrees to pay, on demand, all reasonable costs and expenses (including reasonable attorneys' fees and expenses for legal services of every kind, including without limitation reasonable allocated costs of staff counsel) of the Bank incidental to the sale of, or realization upon, any of the Collateral or in any way relating to the perfection, enforcement or protection of the rights of the Bank hereunder; and the Bank may at any time apply to the payment of all such costs and expenses all monies of the Company or other proceeds arising from its possession or disposition of all or any portion of the Collateral.

§13. CONSENTS, AMENDMENTS, WAIVERS. Any term of this Agreement may be amended, and the performance or observance by the Company of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only in accordance with §21 of the Credit Agreement.

§14. GOVERNING LAW. Except as otherwise required by the laws of any jurisdiction in which any Collateral is located, this Agreement shall be deemed to be a contract under seal and shall for all purposes be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

§15. PARTIES IN INTEREST. All terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, provided that the Company may not assign or transfer its rights hereunder without the prior written consent of the Bank.

§16. COUNTERPARTS. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

§17. TERMINATION. Upon payment in full of the Loans and all other amounts then due and payable under the Loan Documents in accordance with their terms and the termination of all Commitments to lend under the Credit Agreement, this Agreement shall terminate and the Company shall be entitled to the return, at the Company's expense, of such Collateral in the possession or control of the Bank as has not theretofore been disposed of pursuant to the provisions hereof, and the Bank shall, at the Company's expense, execute termination statements or analogous documents as shall be necessary to release the Bank's interest hereunder of record.

§18. NOTICES. Except as otherwise expressly provided herein, all notices and other communications made or required to be given pursuant to this Agreement shall be in writing and shall be delivered by hand, mailed by United States registered or certified first-class mail, postage prepaid, or sent by telecopy, facsimile, telegraph or telex and confirmed by letter, addressed as follows:

(a) if to the Company, at:

303 West Jackson
Hugo, Oklahoma 74743
Attention: President

with copies to:

9622 Moss Haven
Dallas, Texas 75231
Attention: J. Peter Kleifgen

and

2535 Tech Drive, Suite 111
Bettendorf, Iowa 52722-3278
Attention: David L. Widener

or at such other addresses for notice as the Company shall last have furnished in writing to the Bank;

(b) if to the Bank, at:

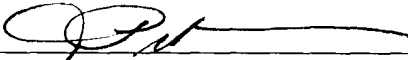
100 Federal Street
Boston, Massachusetts 02110
Attention: Paul G. Feloney
Assistant Vice President

or at such other address for notice as the Bank shall last have furnished in writing to the person giving the notice.


Any such notice or demand shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand to a responsible officer of the party to which it is directed, at time of the receipt thereof by such officer, (ii) if sent by registered or certified first-class mail, postage prepaid, to be received on the earlier of (A) the fifth Business Day following the mailing thereof or (B) the day of receipt thereof if a Business Day, or if not a Business Day, the next succeeding Business Day and (iii) if sent by telecopy, facsimile, telex or telegraph, at the time of dispatch thereof, if in normal business hours in the state where received or otherwise at the opening of business on the following business day.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed as an instrument under seal by their authorized representatives as of the date first written above.

KIAMICHI RAILROAD COMPANY L.L.C.

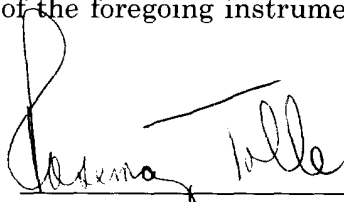
By: 
J. Peter Kleifgen, Chief Executive Officer:

THE FIRST NATIONAL BANK OF BOSTON

By: 
Paul G. Feloney, Assistant Vice President

State of Texas)
) ss.
County of Dallas)

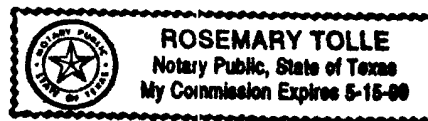
On this 28th day of September, 1995, before me personally appeared J. Peter Kleifgen, to me personally known, who, being by me duly sworn, says that he is Chief Executive Officer of Kiamichi Railroad Company L.L.C., that the foregoing instrument was signed on behalf of said limited liability company by authority of its members, and he acknowledges that the execution of the foregoing instrument was the free act and deed of said limited liability company.



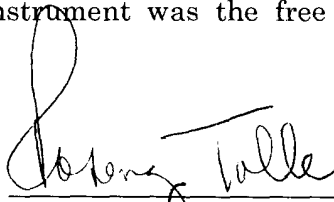
Notary Public

My commission expires:

State of Texas)
) ss.
County of Dallas)

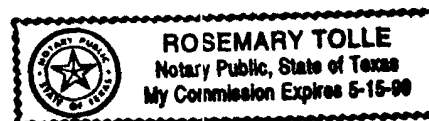


On this 28th day of September, 1995, before me personally appeared Paul G. Feloney, to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of The First National Bank of Boston, and that he is duly authorized to sign the foregoing instrument on behalf of said banking association, and he acknowledges that the execution of the foregoing instrument was the free act and deed of said banking association.



Notary Public

My commission expires:



Schedule 4(a)

Real Property

Not included in this filing

Schedule 4(b)
Rolling Stock

LOCOMOTIVES

KRR 3801

KRR 3801 OVERHAUL

KRR 3801 ELECTRICAL OVERHAUL

KRR 3802

KRR 3802 OVERHAUL PROJECT

KRR 3803

KRR 3803 OVERHAUL PROJECT

KRR 3803 ELECTRICAL OVERHAUL

KRR 3803 TRACTION MOTOR

KRR 3803

KRR 3805 (MP 2801)

KRR 3805 OVERHAUL PROJECT

KRR 3805 OVERHAUL (2)

KRR 3805 REBUILD

KRR 3805 TRACTION MOTOR

KRR 3805 PROJECT 173

KRR 609

KRR 702

KRR 703

KRR 703 REPLACED ENGINE

KRR 704 (IR 610)

KRR 704 OVERHAUL PROJECT

KRR 705 OVERHAUL PROJECT

KRR 705 TRACTION MOTOR

KRR 706 (KCS 4154)

KRR 706 (REBUILT)

KRR 706 OVERHAUL

KRR 901

KRR 901 OVERHAUL

KRR 902

KRR 902 OVERHAUL PROJECT

KRR 903

KRR 903 OVERHAUL PROJECT

KRR 904 (KCS 4182)

KRR 904 REBUILD

KRR 905 (MKT 108)

KRR 905 OVERHAUL PROJECT

KRR 906 (KCS 4184)

KRR 906 OVERHAUL

KRR 906 REBUILD

KRR 906 TRACTION MOTOR

KRR 906 ENGINE OVERHAUL

KRR 907 (KCS 4165)

KRR 907 OVERHAUL

KRR SL-2 SLUG (KCS 405)

Schedule 4(b)
Rolling Stock (continued)

EQUIPMENTROLLING STOCK

98 WOODRACKS (SERIES KRR 1200 - KRR 1259; SERIES 1100 - 1135)

120 BN CEMENT HOPPERS (SEE DETAIL)

38 KCS WOODRACK CARS (SERIES KRR 1300 - KRR 1337)

70 GTW BOX CARS (SERIES KRR 5000 - 5069)

3 GONDOLAS:

KRR 900100

KRR 900101

KRR 900102

1 BOX CARS:

XTRA 4092

2 FLAT CARS:

KRR 900200

KRR 900204

1 GENERATOR CAR

KRR 800101

1 FREIGHT CAR

KRR 4000

5 BALLAST CARS:

KRR 900400

KRR 900401

KRR 900402

KRR 900403

KRR 900404

POLE CAR CONVERSION

KRR WOODRACK OVERHAULS

ADDITIONAL POLE CAR COSTS

POLE CAR CONVERSION (60 CARS)

POLE CAR PROJECT

TRAILER AXLE UPGRADE

MAINTENANCE OF WAY

PETTIBONE SPEEDSWING HIRAIL

PETTIBONE SPEEDSWING WHEEL

KLUTTS UTILITY GRINDER

RAIL DRILL - PR3AA

KERSHAW TIE CRANE

ABEX DUAL SPIKER

ABEX DUAL SPIKER

FAIRMONT SPIKE PULLER

KERSHAW SCARFIER INSERTER

JACKSON TAMPER

2 - CP 1230 BREAKER/TAMPER 60 LB.

22B - A KLINCH KLAU JACK W/PLR & WEDGE

JACKSON 6500 TAMPER

1981 JOY AIR COMPRESSOR

RAIL SAW

PETTIBONE SPEEDSWING

1980 CASE 580C - BACKHOE LOADER

AIR COMPRESSOR

AUTOMATIC RAIL DRILL

BURRO CRANE MODEL 30

1974 WARNER SWASSEY EXCAVATOR

JACKSON 925 TIE INSERTER

KERSHAW REGULATOR (BR515)

1984 FLEETNEK 34 FT TRAILER

REGULATOR OVERHAUL

GAS POWERED RAIL EXPANDER

RAIL DRILL, AUTOMATIC FEED

KERSHAW BRUSH CUTTER

14" RAIL SAW W/ OLYMPIC ENGINE

SPEEDSWING OVERHAUL

14" SAW W/ OLYMPIC ENGINE

WELD SHEAR WITH B&S ENGINE

CHAIN SAW - STIHL 038

TOWERCOM TRAILER

JACKSON LO HAND TAMPER

KERSHAW 44-1 SCARFIER G9-286

RAIL AIR COMPRESSOR SELF POWERED

24 FT TRAILER

SCHEDULE 4(b)**KRR CEMENT HOPPERS**

KRR 438501	KRR 438596
KRR 438505	KRR 438597
KRR 438508	KRR 438598
KRR 438510	KRR 438600
KRR 438511	KRR 438601
KRR 438513	KRR 438603
KRR 438514	KRR 438605
KRR 438515	KRR 438606
KRR 438519	KRR 438608
KRR 438520	KRR 438609
KRR 438523	KRR 438610
KRR 438524	KRR 438611
KRR 438525	KRR 438612
KRR 438531	KRR 438613
KRR 438535	KRR 438614
KRR 438536	KRR 438615
KRR 438538	KRR 438616
KRR 438543	KRR 438618
KRR 438545	KRR 438619
KRR 438549	KRR 438621
KRR 438550	KRR 438622
KRR 438551	KRR 438623
KRR 438554	KRR 438624
KRR 438557	KRR 438625
KRR 438558	KRR 438626
KRR 438560	KRR 438628
KRR 438564	KRR 438629
KRR 438567	KRR 438630
KRR 438568	KRR 438631
KRR 438573	KRR 438632
KRR 438574	KRR 438633
KRR 438577	KRR 438634
KRR 438578	KRR 438635
KRR 438581	KRR 438636
KRR 438582	KRR 438637
KRR 438583	KRR 438638
KRR 438585	KRR 438639
KRR 438586	KRR 438640
KRR 438587	KRR 438641
KRR 438588	KRR 438642
KRR 438590	KRR 438643
KRR 438591	KRR 438644
KRR 438592	KRR 438645
KRR 438593	KRR 438646
KRR 438594	KRR 438647
KRR 438595	KRR 438648

SCHEDULE 4(b)**CEMENT CARS LEASED TO TRANSMATRIX**

WSSX 438500
WSSX 438502
WSSX 438504
WSSX 438507
WSSX 438509
WSSX 438517
WSSX 438521
WSSX 438529
WSSX 438530
WSSX 438532
WSSX 438534
WSSX 438540
WSSX 438541
WSSX 438544

WSSX 438546
WSSX 438548
WSSX 438552
WSSX 438553
WSSX 438555
WSSX 438559
WSSX 438561
WSSX 438565
WSSX 438569
WSSX 438570
WSSX 438571
WSSX 438572
WSSX 438575
WSSX 438576

SCHEDULE 4(b)LEASED EQUIPMENT

Rail Operators	-	5 GP38 Locomotives (KRR 3806, KRR 3807, KRR 3808, KRR 3809, KRR 3810)
Rail Operators	-	10 Ballast Cars (Series ROPX 10001 - ROPX 10010)
Rail Operators	-	10 Air Dump Cars (Series ROPX 20001 - ROPX 20010)
Railcar, Ltd.	-	14 Railcars (Series GNR 6300 - 6310, GNR 6312 - 6314)
Kansas City Southern	-	30 Woodchip Hoppers

KRR 500992	KRR 502154	KRR 5579
KRR 502308	KRR 4921	KRR 4920
KRR 500542	KRR 4845	KRR 502677
KRR 5661	KRR 500798	KRR 502944
KRR 4918	KRR 500631	KRR 5633
KRR 501841	KRR 5577	KRR 502774
KRR 5585	KRR 4848	KRR 4801
KRR 5687	KRR 501174	KRR 501352
KRR 4838	KRR 5636	KRR 500721
KRR 4896	KRR 501743	KRR 5691

Schedule 4(c)

Patents, Trademarks, Copyrights

Not included in this filing

Schedule 4(d)

Location of Property

Not included in this filing

Schedule 4(e)

Vehicles

Not included in this filing